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Message Text

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72
ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 IO-14 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 PA-04

PRS-01 USIA-15 DRC-01 /138 W
---------- 032373
R 181454Z DEC 73
FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC 5719

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E.O. 11652: N/A
TAGS: IMF, EFIN, UY
SUBJ: IMF TEAM VISITS URUGUAY

1. SUMMARY: A FIVE MAN IMF-ECONOMIC SURVEY TEAM HEADED BY JORGE RESTREPO CONCLUDED A TWO-WEEK ANNUAL STUDY VISIT TO URUGUAY ON DEC 13. THE TEAM WAS DISCOURGAGED THAT THE GOU WAS SO ILL-PREPARED TO RECEIVE THEM AND PESSIMISTIC OVER THE PACE OF IMPLEMENTATION OF ANNOUNCED ECONOMIC REFORMS. EMBASSY DOES NOT AGREE, HOWEVER, THAT OVERALL SITUATION IS AS BAD AS THE TEAM APPEARS TO BELIEVE. END SUMMARY

2. IN CONVERSATIONS WITH EMBASSY OFFICERS, TEAM MEMBERS WERE VERY CRITICAL OF URUGUAY'S PREPARATION FOR THE STUDY AND WERE PESSIMISTIC THAT DECISIONS TAKEN AT SAN MIGUEL AND NIRVANA WOULD BE IMPLEMENTED.

3. TEAM WAS PARTICULARLY UPSET THAT FISCAL AND MONETARY DATA WAS UNAVAILABLE AND MOST IF ITS TIME WAS SPENT TRYING TO ASSEMBLE INFORMATION. THIS COULD NOT BE DONW WITHIN TWO WEEKS AND THE STUDY WILL BE INCOMPLETE. EVEN WHERE FIGURES WERE AVAILABLE DIFFERENCES EXISTED BETWEEN THOSE OF THE CENTRAL BANK AND THE BANK OF THE REPUBLIC. THE TEAM TURNED
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DOWN A REQUEST FROM THE GOU THAT VISIT BE EXTENDED ON BASIS THAT THIS MIGHT SET PRECEDENT FOR IMF TEAMS TO DO BASIC

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RESEARCH WHICH SHOULD BE NORMAL WORK OF CENTRAL BANK.

4. TEAM ALSO EXPRESSED VIEW THAT IT SAW WEAKENING OF RESOLVE IN IMPLEMENTING DECISIONS OF GOVERNMENT LEADERS TAKEN IN AUGUST AT SAN MIGUEL AND OCTOBER AT NIRVANA. THE RENT LAW WAS MENTIONED AS AN EXAMPLE WITH LOBBYING BY RENTERS OCCURING WITHIN THE MILITARY AND RESULTING IN DELAYS AND CHANGES IN LAW.

5. EXCHANGE RATE POLICY DISTRUBED TEAM, WHICH SAW NO SENSE IN A FINANCIAL RATE BELOW COMMERCIAL RATE. THEY BELIEVE RATES SHOULD EITHER BE UNIFIED OR FINANCIAL RATE ALLOWED MOVE HIGHER IN ORDER ATTRACT CAPITAL.

6. ACCORDING TEAM ESTIMATES SLIGHT SURPLUS IN URUGUAY'S BALANCE OF PAYMENTS FORESEEN FOR 1974 WITH INCREASED VOLUME BEEF EXPORTS OFFSETTING IMPORT INCREASES. HOWEVER, IF IMPORTS LIBERALIZED FOR DEVELOPMENT GOODS, PAYMENTS WOULD BE IN DEFICIT.

7.
IMF SURVEY TEAMS HAVE PREVIOUSLY COM-
PLAINED ABOUT LACK OF ADEQUATE GOU PREPARATION OF NECESSARY FINANCIAL DATA AND PROJECTIONS. PREVIOUS IMF RESIDENT SPENT MOST OF HIS TIME DOING BASIC RESEARCH AT CENTRAL BANK AND HIS WORK UNDOUBTEDLY FACILITATED 1972 IMF SURVEY MISSION. CENTRAL BANK IS CURRENTLY MAKING INTENSIVE EFFORTS TO UPDATE ITS ACCOUNTS. FISCAL AND BALANCE OF PAYMENTS PROJECTIONS FOR 1974 ARE BEING DELAYED DUE TO UNCERTAINTY OVER PRICES FOR ESSENTIAL OIL IMPORTS AND CONTINUING INTERNAL GOU DEBATE ON 1974 PROGRAMS DESIGNED TO IMPLEMENT POLICIES ANNOUNCED AT SAN MIGUEL AND NIRVANA. WE ARE NOT SO PESSIMISTIC REGARDING IMPLEMENTATION OF BASIC ECONOMIC AND INSTITUTIONAL REFORMS. WHILE THERE IS NATURALLY MUCH PULLING AND HAULING WITHIN GOU, INCLUDING MILITARY, OVER PRECISE DESIGN AND CONTENT OF REFORM DECREES, THERE IS ALSO EVIDENCE OF PROGRESS IN FORMU-
LATING DECREES COVERING THE DECISIONS MADE AT SAN MIGUEL. THE APPOINTMENT OF THE COUNCIL OF STATE AND THE APPARENT INTENTION OF THE GOU TO OBTAIN THE COUNCIL'S APPROVAL OF A NUMBER OF THESE DRAFT PROJECTS IN THE EARLY DAYS OF 1974 GIVES SOME
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HOPE FOR GREATER EVIDENCE OF ACTION IN WEEKS AHEAD.
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